EXHIBIT E

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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

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IN RE) Chapter 9
CITY OF DETROIT, MICHIGAN,) Case No. 13-53846
Debtor.) Hon. Steven W. Rhodes
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DEPOSITION of GLENN DAVID BOWEN
Washington, D.C.
Tuesday, September 24, 2013

Pages: 1 - 213
Reported by: Cindy L. Sebo, RMR, CRR, RPR, CSR, CCR, CLR, RSA
Assignment Number: 472421
File Number: 105824

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September 24, 2013
9:47 a.m.

Deposition of GLENN DAVID BOWEN held at the law offices of:

Jones Day
51 Louisiana Avenue, Northwest
Washington, D.C. 20001

Pursuant to notice, before Cindy L. Sebo, Registered Merit Reporter, Certified Real-Time Reporter, Registered Professional Reporter, Certified Shorthand Reporter, Certified Court Reporter, Certified LiveNote Reporter, Real-Time Systems Administrator and a Notary Public in and for the District of Columbia.

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I'll say 60/40 was designed to be a proxy equity and fixed income. The asset allocation is more complicated with additional asset classes.
The results were roughly the same.
Q. "The results" meaning what?
A. Our -- our -- once we received the investment policy in particular and we ran it through our modeling, we developed the best estimate range based upon the particulars of the investment policies, and we developed an expected return and a best estimate range around that return, which I will characterize simply as told the same story as we had in our high-level proxy analysis in this letter (indicating).
Q. Well, is it -- is it your -- is it the -- let me ask -- start with you, yourself.
Is it your position presently that the 7.9 percent investment return expectations for the General Retirement System is above the top end of your reasonable range?
A. When we calculated the -- using the specific investment policy provided by the City, we

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developed the expected return and a best estimate range, and the top of that range was below the 7.9 and the 8 percent used in the valuations.
Q. Is it -- is it -- is that -- well, I assume that's the opinion of the Milliman firm?
A. Based on our capital market assumptions, yes.
Q. Is it -- is it the position of the Milliman firm that the 7.9 percent investment return expectation is inconsistent with Actuarial Standards of Practice?
A. We have not been asked to make an opinion on that, and I have no opinion on that.
Q. You have not been asked to make an opinion?
A. We have not.
Q. Have you been asked to make an opinion as to whether any of the actuarial assumptions that the Gabriel, Roeder, Smith firm has done are inconsistent with Actuarial Standards of Practice?
A. We have not been asked that.
Q. Would there be -- other than yourself

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at Milliman, would there be someone else that a representative of the City of Detroit would have asked that opinion for?
A. They have not asked me. As far as I know, they have not asked anyone who's been involved in the pension work. I cannot state definitively they haven't asked someone at Milliman, but I would be surprised.
Q. You would be the logical person they would ask?
A. Yes.
Q. The General Retirement System presently uses a seven-year smoothing period for its actuarial valuation of the plan's assets; is that correct?
A. Yes.
Q. All right. And is that within -- in your opinion, within Actuarial Standards of Practice?
A. We've not been asked to opine on that for the City of Detroit, merely pointed out the methodology that was being used.

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Q. Okay. Do you have an opinion on that sitting here?
A. I can't say that it's not within acceptable standards of practice.
Q. How about the earnings assumption, the 7.9 percent earnings assumption?
A. Again, we -- we have our capital market assumptions model, which develops an expected return and a range of results, which we recommend to our clients. I would not recommend a rate outside of our best estimate range to any of my clients.
Q. But -- okay.
But if the client wanted to use, say, a 7.9 percent rate, would you view that as outside of Actuarial Standards of Practice?
MR. MUTH: Object to the form.
You can go ahead and answer.
THE WITNESS: I don't know what that meant.
I would view it as outside of our best estimate range, and clients can mandate

assumptions. They don't always listen to us.
BY MR. CIANTRA:
Q. Okay. But I guess -- help me out here.
Does there come a point where, in your professional judgment, if the client says I want you to use this return assumption, where you, as a professional, would not, say, sign a report, an actuarial valuation that used a particular assumption that you mandated?
A. That's not the way that I would approach it. My understanding of Actuarial Standards or Practices that we disclose mandated assumptions, and if they're unreasonable or if they are un- -- if they are outside of what we would consider to be reasonable, we'll state that.
Q. And similarly, if -- if you don't state that in a report, one would assume that -- that -- would it be reasonable to assume that the firm's position is that it is within Actuarial Standards of Practice?
MR. MUTH: Object to the form.
Go ahead, you can answer. Yeah, I'll

tell you if you are not supposed to answer.
THE WITNESS: Okay.
In terms of following Actuarial Standards of Practice, to the extent that there is a mandated assumption or an assumption which we think is unreasonable, which I guess would basically derive from a mandated assumption, I would state that in my report.
And to the extent that I write a report and don't state that implicitly, you could make the assumption that I believe that what I've done is within reasonable practice.
BY MR. CIANTRA:
Q. That would be a reasonable reading of that?
A. Yes.
Q. With respect to the 30-year amortization methodology that the Detroit General Retirement System uses, in your opinion, is that within reasonable actuarial standards?
MR. MUTH: Can you read that back?
- - -

(Whereupon, the court reporter read back the pertinent part of the record.)
- - -
THE WITNESS: I'm not aware of an actuarial standard that puts a specific limit on duration of amortization periods.
BY MR. CIANTRA:
Q. So not unreasonable?
A. I didn't say that.
Q. You think it's unreasonable?
A. I didn't answer the question in that regard in terms of defining reasonableness or unreasonableness. I said I'm not aware of an Actuarial Standard of Practice that provides a definition as to what is within or without bounds for amortization periods.
Q. Okay. Would it be correct that -- that the selection of that 30-year amortization period for the unfunded liabilities is not inconsistent with Actuarial Standards of Practice?
A. I really have no way to define what is and what is in -- what is within or without

Actuarial Standards of Practice for amortization periods.
Q. Well, is -- in your experience, is a 30-year amortization period unusual in a public sector plan?
MR. MUTH: Object to the form.
BY MR. CIANTRA:
Q. Go ahead. You can answer.
A. Thirty years is not uncommon; however, 30 years is shorthand for a lot of different types of amortization methods.
So the particular method, as I'll refer you to the top of Page 4 in this July 6th, 2012 letter, the particular -- the particulars of this 30-year amortization method lead to an increasing debt each year, and that was what we felt was important to point out, the functioning of this particular methodology.
Q. Have you seen that methodology used in other public retirement systems?
A. I've -- I will say I've seen 30-year periods; I've seen open amortization; I've seen

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level-percent-of-pay amortization.
I can't say specifically that I remember a system that had each of those three components, each one of those three being as important to me as the third [verbatim] year in terms of understanding the workings of the methodology.
Q. You said in your response "the third year."
Did you mean the 30th -- the 30 year?
A. Thirty year, yes. I apologize for my voice this morning.
Q. The -- why, in your understanding, would a -- a retirement system want to use a -- a smoothing technique to come up with the actuarial value of its assets?
A. Well, generally, the desire, as I understand it, is that market value of assets arises in a very volatile fashion year over year. A smooth value of assets is -- is, in concept, designed to arise in a smoother fashion, a less volatile fashion over time; and using that less

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volatile actuarial value of assets in the development of an employer contribution rate leads to a smoother pattern of employer contributions, which budget officers tend to prefer in funding pension plans.
Q. So for an -- an ongoing plan, does -- the sponsor might well prefer to smooth the actuarial values of the assets, rather than taking a market snapshot at a given date?
MR. MILLER: Object to form.
THE WITNESS: So I answer that?
It seems like the same question that I just answered.
So, yes, my understanding is you would prefer a smooth actuarial value of assets to develop a smoother employer contribution pattern.
BY MR. CIANTRA:
Q. Right. And in the -- I'm not a benefits lawyer, so I'm going to risk this by asking you this question.
In the world of private defined benefit pension plans, if the sponsor is going to terminate

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the plan, you -- you determine the market value of the assets as of the termination date, correct?
A. That is one step in the process, yes.
Q. One step?
A. Yes.
Q. But that's the valuation process; you wouldn't be looking to smooth the values going forward because you're projecting the termination of the plan, correct?
A. In a termination, you have the assets that you have, which is the market value of assets.
Q. Right. Okay.
So the -- so why would you, in an ongoing plan -- is there -- well, let me step back.
It would be consistent with Actuarial Standards of Practice to use smoothing in an ongoing plan, correct, so long as the -- as the -- the assumptions for that smoothing were otherwise reasonable?
A. Actuarial Standard of Practice 44 discusses asset smoothing methods for the purpose of developing employer contribution rates.

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Q. And it allows for smoothing?
A. It allows for smoothing, yes.
Q. Anything unusual with respect to the smoothing methodology that the Detroit General Retirement System has adopted in your practice -- in your -- in your experience?
A. I wouldn't say there's anything unusual.
Q. You've seen the seven-year period used before?
A. Five is the most common. I mean, seven is not a standard number, but it's two more than five.
Q. Is there -- does the General Retirement System employ a corridor above -- above or below which the actuarial value cannot vary from the market value?
A. To my understanding, they do, yes.
Q. And what is that corridor?
A. I would have to look at the valuation report to be certain, but I believe the corridor was loosened after the market crash of 2008-2009

MR. MUTH: Object to form.
THE WITNESS: Our initial engagement was, as I've said, read this report and explain it to us, help us understand what's going on. Our resulting document was our effort to highlight things that we thought the user should be aware of.
BY MR. SHERWOOD:
Q. Do you know why the City of Detroit was asking you to provide the -- them with this assistance in reviewing the Gabriel, Roeder, Smith reports?
A. I don't know the specific cause, no.
Q. Do you know generally?
A. I could give you a typical example, but I can't guarantee it applies to this situation.
Q. I'd like to know what -- how -- how you think it came to pass that Milliman got hired by the City of Detroit in the spring or summer of 2012.
A. That I can't speculate --
MR. MILLER: Objection.

BY MR. SHERWOOD:
Q. You haven't been instructed not to answer, so you can answer.
A. Well, in terms of how Milliman was -- was -- Milliman was contacted by the City. So that's how we came to be hired, in response to that specific question.
Their motivation for hiring us specifically in this case would be speculation on my part.
Q. If you have an understanding of why the City came and hired Milliman when it did, I'd like you to give it to me.
MR. MUTH: Objection: asked and answered.
THE WITNESS: That I don't know.
BY MR. SHERWOOD:
Q. What did you understand the state of the affairs to be with respect to the City of Detroit's pension plan in the spring of 2012?
A. I had no knowledge of the state of Detroit's pension plan in the spring of 2012.

Q. You came to learn what it was, though, correct?
A. During the course of our assignment, in reviewing the valuation reports for the two systems, we came to some -- I'll say given that we started with no knowledge of the system, we came to some knowledge of the systems through that process.
Q. And what -- what were the major problems that you learned about?
A. In our letter, I'll point you to the comments that we made. That would be Exhibit 1.
So given the very broad assignment of read the report and explain it to us, we started on Page 2, developed the table that started with valuation report numbers. And the first item that we mentioned as -- and used the word "problems." I'm not using the word "problems." We're pointing out -- we're pointing out issues that the City should be aware of to the extent that it was not obvious to them.
But take DGRS, for example, the market value of assets was $1 billion lower than the

smooth value of assets. And as we had discussion earlier this morning, only the market value of assets really exists and is available to pay benefit payments with. So we thought that was an important point to make.
So to the extent that users had not understood that from the valuation report, we tried to make it clear.
We offered commentary as well on what we viewed as optimism in the discount rate; potential optimism in the mortality assumption as well; and, again, very high-level comments at this point in this letter, as we have discussed earlier.
And, finally, we noted that a relatively significant portion of the actual market value of assets in the trust were based upon borrowing that the City had done, and just pointed that out so that people didn't forget, when looking at the valuation report, that a portion of the funded status is due to debt that exists elsewhere in the City's general balance sheet.
Q. So in terms of these issues, did the